

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2008



EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

SEPTEMBER 30, 2008
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INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners
of Eaton County
Charlotte, Michigan

We have audited the accompanying basic financial statements of the Road Commission of Eaton County, Michigan, a component unit of Eaton County, Michigan, as of September 30, 2008, and for the year then ended. These financial statements are the responsibility of the Road Commission management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Road Commission of Eaton County, Michigan, as of September 30, 2008, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 26, 2009, on our consideration of the Road Commission of Eaton County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Eaton County Road Commission. The schedules on pages 28-30 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Road Commission of Eaton County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

January 26, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Eaton County Road Commission, we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Road Commission for the year ended September 30, 2008. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to provide an understanding of the Eaton County Road Commission's basic statements. These basic financial statements comprise three components: (1) government-wide financial statements, (2) governmental fund financial statements, and (3) notes to the financial statements. Supplementary financial information is also provided for additional information purposes.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Eaton County Road Commission's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Eaton County Road Commission's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., unused vacation and sick).

Governmental Fund Financial Statements

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds financial statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions.

The Eaton County Road Commission adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As shown on the chart below, the Road Commission's assets exceeded liabilities by \$79,854,101 at the end of the fiscal year.

The net assets are separated into three major components, investment in capital assets of \$77,372,243 or 96.89% of net assets, restricted net assets of \$1,227,216 or 1.54%, and finally unrestricted net assets of \$1,254,642 or 1.57%. The investment in capital assets of the Road Commission reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Road Commission used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Road Commission's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted net assets are the net assets that resulted from Primary and Local Road activities that are restricted by the Michigan Department of Transportation to be used on the respective Primary and Local Roads. The remaining balance of unrestricted net assets may be used to meet the Road Commission's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Road Commission is able to report positive balances in all three categories (invested in capital assets, net of related debt and unrestricted net assets).

The following table presents a comparison of net assets at September 30, 2008 and 2007 in a condensed format.

Condensed Statement of Net Assets

	<u>2008</u>	<u>2007</u>	<u>Variance</u>
Assets –			
Current and other unrestricted assets	\$ 3,403,494	\$ 5,737,983	\$(2,334,489)
Capital Assets	<u>82,392,243</u>	<u>81,796,095</u>	<u>596,148</u>
Total Assets	<u>\$ 85,795,737</u>	<u>\$ 87,534,078</u>	<u>\$(1,738,341)</u>
Liabilities –			
Long-term liabilities outstanding	\$ 5,346,982	\$ 5,820,327	\$(473,345)
Other liabilities	<u>594,654</u>	<u>558,550</u>	<u>36,104</u>
Total Liabilities	<u>\$ 5,941,636</u>	<u>\$ 6,378,877</u>	<u>\$(437,241)</u>
Net Assets –			
Invested in capital assets, net of related debt	\$ 77,372,243	\$ 76,589,922	\$ 782,321
Restricted	1,227,216	2,270,998	(1,043,782)
Unrestricted	<u>1,254,642</u>	<u>2,294,281</u>	<u>(1,039,639)</u>
Total Net Assets	<u>\$ 79,854,101</u>	<u>\$ 81,155,201</u>	<u>\$(1,301,100)</u>

Condensed Statement of Activities

	<u>2008</u>	<u>2007</u>	<u>Variance</u>
Revenues –			
Federal Sources	\$ 2,514,215	\$ 876,839	\$ 1,637,376
State Sources	7,733,895	11,049,099	(3,315,204)
Local Sources	1,055,789	1,646,477	(590,688)
Other	<u>534,623</u>	<u>678,407</u>	<u>(143,784)</u>
	<u>\$ 11,838,522</u>	<u>\$ 14,250,822</u>	<u>\$ (2,412,300)</u>
Expenditures –			
Maintenance	\$ 6,720,328	\$ 5,158,572	\$ 1,561,756
Administration	835,137	643,529	191,608
Equipment	(88,984)	10,458	(99,442)
Other and Interest	311,113	624,450	(313,337)
Depreciation	<u>5,362,028</u>	<u>5,431,363</u>	<u>(69,335)</u>
	<u>\$ 13,139,622</u>	<u>\$ 11,868,372</u>	<u>\$ 1,271,250</u>
Change in Net Assets	<u>\$ (1,301,100)</u>	<u>\$ 2,382,450</u>	<u>\$ (3,683,550)</u>

Financial Analysis of Governmental Fund Financial Statements

As noted earlier, the focus of the governmental fund financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Road Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Road Commission reported an ending fund balance of \$2,534,424, a decrease of \$2,368,243 from the prior year. Approximately 44% or \$1,124,914 of the fund balance constitutes unreserved fund balance, which is available for spending at the Road Commission's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because \$182,294 has been prepaid and \$1,227,216 has been reserved for expenditures related to primary and local roads as required by the Michigan Department of Transportation.

BUDGETARY HIGHLIGHTS

The Road Commission amended its 2007-08 budget to reflect status changes in construction, heavy maintenance and maintenance projects and the fund balance in 2006-07. The final budget was \$493,135 more in revenues, and \$3,014,692 more in expenditures than the original budget primarily for these reasons. The actual adjusted 2007-08 revenues were approximately \$26,482 more than the amended budget, which is 0.22% over budget. The actual adjusted expenditures were \$269,777 less than the amended budget, which was 1.90% under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The Road Commission has \$82,392,243 in capital assets at the end of the year. The reason for the increase from the previous year was the capitalization of heavy maintenance road and bridge projects funded by federal, state and local revenues. A summary of capital assets net of accumulated depreciation at September 30, 2008 in comparison to the previous year is as follows:

	2008	2007
Land and improvements	\$22,708,851	\$21,813,795
Buildings and improvements	5,225,197	5,354,352
Equipment	485,023	634,123
Infrastructure	<u>53,973,172</u>	<u>53,993,825</u>
	<u>\$82,392,243</u>	<u>\$81,796,095</u>

Additional information on the Road Commission's capital assets activity may be found in Note 7 to the financial statements.

Long-Term Liabilities – At the end of the current year, the Road Commission had total bond and note debt outstanding of \$5,020,000. The debt is backed by the full faith and credit of Eaton County. The total debt was issued in anticipation of and payable from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto. A summary of the Motor Transportation Debt is as follows:

	2008	2007
Michigan Transportation Bonds – Series 1998	\$ -	\$ 390,000
Michigan Transportation Bonds – Series 2003	\$ 5,020,00	\$ 5,125,000

Additional information on the Road Commission's long-term liabilities may be found in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The majority of Commission revenue streams continue to decline. Long-term state fiscal crises are affecting local abilities to provide increased levels of maintenance. Long-term crises are also affecting cost sharing programs currently in effect with township transportation partners. Potential legislative relief in terms of a tax increase seems unlikely due to the economical conditions at the State level, which could help to improve resource allocations to maintenance and improvement efforts.

Our 2008-09 budget is programmed for revenues which are decreased in most areas except for increased funding for road reconstruction through federal funding. Expenditures will increase in areas of road improvement efforts and surface preservation. Expenditures will exceed revenues during the year with a planned reduction of available operating funds. It is anticipated our fund equity will reduce by at least \$1,000,000 during 2009.

CONTACTING THE ROAD COMMISSION MANAGEMENT

This financial report is designed to provide a general overview of the Eaton County Road Commission's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be address to the Eaton County Road Commission, 1112 Reynolds Road, Charlotte, Michigan 48813

BASIC FINANCIAL STATEMENTS

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Governmental Fund	Adjustments (Note 2)	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 661,887	\$ -	\$ 661,887
Due from other governmental units -			
State	1,286,837	-	1,286,837
Local	581,912	-	581,912
Receivables	31,115	-	31,115
Prepaid expenditures/expenses	182,294	303,320	485,614
Inventory	356,129	-	356,129
Capital assets, net of accumulated depreciation			
Assets not being depreciated	-	22,708,851	22,708,851
Assets being depreciated	-	59,683,392	59,683,392
Total Assets	<u>\$ 3,100,174</u>	<u>\$ 82,695,563</u>	<u>\$ 85,795,737</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 422,472	\$ -	\$ 422,472
Contractor's retention payable	15,210	-	15,210
Accrued liabilities	128,068	-	128,068
Accrued interest payable	-	28,904	28,904
Bonds and notes payable, due within one year	-	500,000	500,000
Bonds and notes payable, due in more than one year	-	4,520,000	4,520,000
Long-term other postemployment benefits	-	7,357	7,357
Long-term accrued vacation and sick	-	319,625	319,625
Total Liabilities	<u>565,750</u>	<u>5,375,886</u>	<u>5,941,636</u>
Fund Balance:			
Fund Balance -			
Reserved -			
Prepaid expenditures	182,294	(182,294)	-
Primary/Local Roads	1,227,216	(1,227,216)	-
Unreserved -			
Undesignated	1,124,914	(1,124,914)	-
Total Fund Balance	<u>2,534,424</u>	<u>(2,534,424)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 3,100,174</u>		
Net Assets:			
Invested in capital assets, net of related debt		77,372,243	77,372,243
Restricted -			
Primary/Local Roads		1,227,216	1,227,216
Unrestricted		1,254,642	1,254,642
Total Net Assets		<u>\$ 79,854,101</u>	<u>\$ 79,854,101</u>

The accompanying notes are an integral part of these financial statements.

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Governmental Fund	Adjustments (Note 2)	Statement of Activities
Revenues:			
Permits	\$ 77,139	\$ -	\$ 77,139
Intergovernmental -			
Federal sources	2,514,215	-	2,514,215
State sources	7,733,895	-	7,733,895
Local sources	1,055,789	-	1,055,789
Interest and rents	67,452	-	67,452
Other	390,032	-	390,032
Total Revenues	<u>11,838,522</u>	<u>-</u>	<u>11,838,522</u>
Expenditures/Expenses:			
Current -			
Primary construction/ capacity improvements	2,065,293	(2,065,293)	-
Local construction/ capacity improvements	172,348	(172,348)	-
Primary preservation- structural maintenance	2,553,906	(2,553,906)	-
Local preservation- structural maintenance	740,686	(740,686)	-
Primary routine and preventive maintenance	3,680,369	(12,398)	3,667,971
Local routine and preventive maintenance	3,064,755	(12,398)	3,052,357
Administrative	860,998	(25,861)	835,137
Equipment	1,958,705	(328,588)	1,630,117
Less equipment rental			
charged to other activities	(1,719,101)	-	(1,719,101)
Depreciation	-	5,362,028	5,362,028
Other	419,169	(297,790)	121,379
Capital Outlay	130,595	(130,595)	-
Less: depreciation credit			
and retirements	(408,849)	408,849	-
Debt Service -			
Principal	495,000	(495,000)	-
Interest	192,891	(3,157)	189,734
Total Expenditures/Expenses	<u>14,206,765</u>	<u>(1,067,143)</u>	<u>13,139,622</u>
Revenues over (under) expenditures/expenses	(2,368,243)	1,067,143	(1,301,100)
Fund Balance/Net Assets at October 1, 2007	<u>4,902,667</u>	<u>76,252,534</u>	<u>81,155,201</u>
Fund Balance/Net Assets at September 30, 2008	<u><u>\$ 2,534,424</u></u>	<u><u>\$ 77,319,677</u></u>	<u><u>\$ 79,854,101</u></u>

The accompanying notes are an integral part of these financial statements.

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Permits	\$ 75,000	\$ 77,000	\$ 77,139	\$ 139
Intergovernmental -				
Federal sources	2,091,180	2,514,070	2,514,215	145
State sources	8,586,725	7,867,320	7,733,895	(133,425)
Local sources	351,500	1,152,550	1,055,789	(96,761)
Interest and rents	80,000	66,400	67,452	1,052
Other	134,500	134,700	390,032	255,332
Total Revenues	<u>11,318,905</u>	<u>11,812,040</u>	<u>11,838,522</u>	<u>26,482</u>
Expenditures:				
Current -				
Primary construction/ capacity improvements	1,843,200	2,065,350	2,065,293	57
Local construction/ capacity improvements	-	172,348	172,348	-
Primary preservation- structural maintenance	2,616,250	2,554,080	2,553,906	174
Local preservation- structural maintenance	-	740,724	740,686	38
Primary routine and preventive maintenance	2,512,000	3,680,930	3,680,369	561
Local routine and preventive maintenance	2,184,000	3,065,125	3,064,755	370
Administrative	800,000	861,000	860,998	2
Equipment - net	(165,000)	(166,600)	239,604	(406,204)
Other	475,000	685,085	419,169	265,916
Capital Outlay - net	509,000	130,600	(278,254)	408,854
Debt Service	687,400	687,900	687,891	9
Total Expenditures	<u>11,461,850</u>	<u>14,476,542</u>	<u>14,206,765</u>	<u>269,777</u>
Revenues over (under) expenditures	(142,945)	(2,664,502)	(2,368,243)	296,259
Fund Balance at October 1, 2007	<u>4,902,667</u>	<u>4,902,667</u>	<u>4,902,667</u>	<u>-</u>
Fund Balance at September 30, 2008	<u>\$ 4,759,722</u>	<u>\$ 2,238,165</u>	<u>\$ 2,534,424</u>	<u>\$ 296,259</u>

The accompanying notes are an integral part of these financial statements.

EATON COUNTY ROAD COMMISSION

STATEMENT OF FIDUCIARY NET ASSETS

EMPLOYEE HEALTH CARE BENEFIT TRUST FUND

SEPTEMBER 30, 2008

ASSETS:

Cash and cash equivalents	\$ 201
Investments, at fair value - Mutual Funds	<u>268,482</u>
Total Assets	<u><u>\$ 268,683</u></u>

NET ASSETS:

Reserved for employees' health care	<u><u>\$ 268,683</u></u>
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STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

EMPLOYEE HEALTH CARE BENEFIT TRUST FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Additions:

Employer contributions	<u>\$ 300,060</u>
Investment income -	
Net appreciation (depreciation) in fair value of investments	(31,080)
Less investment expense	<u>(297)</u>
Total investment income	<u>(31,377)</u>
Total Additions	268,683

Deductions:

	<u>-</u>
Net increase	268,683
Net assets held in trust for health insurance	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 268,683</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Eaton County Road Commission, a component unit of the County of Eaton, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The more significant accounting policies are described as follows:

A. Description of Road Commission Operations –

The Eaton County Road Fund, referred to as the Road Commission, is a Component Unit of the County of Eaton, Michigan, and is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal awards and contributions from other local units of government (townships) for work performed by the Road Commission work force. The Road Fund is the only fund of the Road Commission.

The Road Commission which is established pursuant to the County Road Law (MCL224.1) operates under an elected Board of three (3) County Road Commissioners who establish policies and review operations of the Road Commission. The Road Commission provides services to sixteen (16) Townships in Eaton County and maintains over 1,152 miles of local and primary roads.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation –

The government-wide financial statement columns (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

C. Assets, Liabilities, and Fund Balance or Net Assets –

Cash and Cash Equivalents - Cash equivalents are short-term investments that are readily convertible to cash or have a maturity date of 90 days or less from the date of purchase. Cash equivalents include investment trust funds, which are recorded at cost, which approximates fair value. The pooled investment funds have the general characteristics of demand deposit accounts in that the Road Commission may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Inventories – Inventories of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at the lower of average cost or market.

Prepaid Items – Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide (statement of net assets) financial statements. Capital assets for land, buildings and improvements and all equipment except road equipment are defined by the Road Commission as assets with an initial, individual cost of \$2,000 or more and an estimated useful life in excess of one year. Road equipment is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded in the governmental fund statements as capital expenditures at the time of purchase.

Depreciation is computed on the sum-of-the-years digits method for road equipment, and straight-line method for all other fixed assets over the estimated useful life of the related asset.

The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	5-8 years
Roads	8-30 years
Bridges	25-50 years
Traffic signals	15 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals, which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads have been fully depreciated.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource.

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation and depletion in the governmental fund statements as a charge to various expenditure accounts, and a credit to a depreciation/depletion credit account. Accordingly, the annual depreciation/depletion expenditures do not affect the available operating equity of the governmental fund statements.

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Deferred Revenues – In both the government-wide and the governmental fund financial statements revenue received or recorded before earned is recorded as deferred revenue. In addition, in the governmental fund statements revenues that are not both measurable and available are recorded as deferred revenues.

Accrued Vacation and Sick Pay – In accordance with contracts negotiated with the various employee groups, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. All amounts vested are accrued in the government-wide statements (statement of net assets).

Equipment Rentals – The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities. The effect of this allocation is offset to equipment expenditures/expenses.

Long-Term Obligations – In the government-wide financial statements (statement of net assets), long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. As permitted by GASB Statement No. 34, the Road Commission has elected to apply the provisions related to bond premiums, discounts, and issuance costs on a prospective basis.

Estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

- A.** Explanation of differences between the governmental fund statement and the government-wide statement of net assets (Page 7).

Fund Balance – governmental fund	\$ 2,534,424
Capital assets used in the governmental fund activities that are not financial resources and therefore not reported in the governmental fund financial statements	
Add – capital assets	134,614,388
Deduct – accumulated depreciation	(52,222,145)

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - (cont'd):

Long-term liabilities that are not due in the current period therefore not reported in the governmental fund statements	\$ (5,346,982)
Accrued interest payable on long-term liabilities not reported in the governmental fund statements	(28,904)
Prepaid expenses not reported in the governmental fund statements	<u>303,320</u>
Net Assets	<u>\$ 79,854,101</u>

- B.** Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government-wide Statement of Activities (Page 8).

Revenues under expenditures – governmental fund statement	\$ (2,368,243)
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The governmental fund statements report capital outlay as expenditures, however, in the government-wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	
Add – capitalized assets and infrastructure	5,662,828
Deduct – retirements/removals	295,348
Deduct – depreciation	(5,362,028)

Principal payments on long-term liabilities are reported as an expenditure in the governmental fund statements, but not in the government-wide Statement of Activities (where it reduces the long-term liability)	495,000
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Interest expense adjustment for accrual reported in the government-wide Statement of Activities when the liability is incurred and reported in the governmental fund statements only when payment is due	3,157
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Prepaid expense adjustment not reported in the governmental fund statements	(5,507)
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Some expenses reported in the government-wide Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental fund	
Increase in accrued sick and vacation	(14,298)
Increase in other post employment benefits	<u>(7,357)</u>

Change in Net Assets	<u><u>\$ (1,301,100)</u></u>
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EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Auditing and Reporting –

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States as described in the Independent Auditor's Report, but, also with the standards as provided in Act No. 71 of Public Acts of 1919, Section 21.41 of the Michigan Compiled Laws.

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as described in the Independent Auditor's Report, but also with applicable rules of the Michigan State Department of Transportation.

Budgetary Compliance –

The Engineer-Manager of the Road Commission prepares from data submitted by the administrative staff a proposed operating budget for the calendar year commencing October 1. The operating budget includes proposed expenditures and resources to finance them.

The budget for the General Operating Fund is adopted on the modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America.

Prior to September 30, the proposed budget is presented to the Board of County Road Commissioners. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Board of County Road Commissioner's Resolution. The budget is approved at the activity level by the Board of County Road Commissioners. Expenditures may not exceed appropriations at the activity level. The engineer manager has been granted the authority by the Board of County Road Commissioners to amend the budget up to 25% of the activity amount. Budgetary control is exercised at the activity level. Individual amendments were material in relation to the original appropriation.

The Road Commission does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated at the legally adopted level. During the year ended September 30, 2008, the Road Commission had one over-expenditures as reported on the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS:

As of September 30, 2008, the carrying amount of deposits and investments is as follows:

	<u>Governmental Fund</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Cash on Hand –			
Petty Cash	\$ 250	\$ -	\$ 250
Deposits with Financial Institutions –			
Checking	91,038	201	91,239
Investments –			
Public Funds Investment Trust			
Maintained by County Treasurer	570,599	-	570,599
Mutual Funds	<u>-</u>	<u>268,482</u>	<u>268,482</u>
	<u>\$ 661,887</u>	<u>\$ 268,683</u>	<u>\$ 930,570</u>
Reported as Cash and Cash Equivalents –			
Petty Cash		\$ 250	
Cash in Checking		91,239	
Investment Trust		<u>570,599</u>	
		662,088	
Reported as Investments –			
Mutual Funds		<u>268,482</u>	
		<u>\$ 930,570</u>	

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Road Commission. All Road Commission receipts are deposited with the Eaton County Treasurer's Office, and in order to make disbursements, the Eaton County Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. The investing of cash is performed by the County Treasurer.

As a component unit of Eaton County, all Road Commission cash and cash equivalents are a part of the accounts maintained by Eaton County at banking institutions insured by federal depository insurance.

Custodial Credit Risk – Deposits- is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned to it. Michigan Public Acts authorize Road Commissions to deposit into the accounts of federally insured banks, insured credit unions, and savings and loan associations with an office in Michigan. The Road Commission's investment policy does not have a custodial credit risk requirement.

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS – (cont'd):

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for interest bearing and non-interest bearing up to \$100,000 each. (The FDIC insurance amount increased to \$250,000 effective October 3, 2008, for interest bearing accounts and the insurance amount for non-interest bearing accounts is unlimited, if the bank participates, effective October 14, 2008.)

The Road Commission's deposits consist of non-interest bearing accounts. At September 30, 2008, the carrying amount of the Road Commission's deposits is \$91,038, and the bank balance of \$167,458 of which \$100,000 is FDIC insured and the remaining \$67,458 is exposed to credit risk since it is uninsured and uncollateralized.

The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk. The County uses only those financial institutions with an acceptable estimated risk level as depositories.

Investments –

The Road Commission's investment policy allows it to invest in funds authorized by Michigan Public Act 20 of 1994. Michigan Public Act 20 of 1994, as amended, authorizes the Road Commission to invest surplus funds in bonds, securities and other direct obligations of the United States government or an agency or instrumentality of the United States, certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association or credit union is eligible to be a depository of funds belonging to the state, bankers' acceptances of the United States banks, commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools are organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118.

The investment trust has been reported in the financial statements as a cash equivalent because it has the general characteristics of demand deposit accounts in that the County Treasurer, on behalf of the Road Commission, may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

The Retiree Health Insurance Trust Fund investments are made in accordance with the provisions of the Public Employee Health Care Investment Acts and are held for the exclusive purpose of providing plan benefits, paying taxes, and defraying reasonable expenses of administration as provided for in the Trust.

The Retiree Health Insurance Trust Fund investments are made through the use of an investment advisor who serves at the leisure of the Trustee as provided by the trust agreement.

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS – (cont'd):

Credit Risk – Investments – As of September 30, 2008, the County, on behalf of the Road Commission, had invested \$570,599 in one external investment pool. The fund invests primarily in a portfolio of short-term U.S. Treasury securities. These investments include repurchase agreements collateralized fully by U.S. Treasury securities.

In addition, the Road Commission Health Insurance Trust Fund has \$268,482 invested in mutual funds that invest primarily in other mutual funds, exchange-traded funds, corporate bonds, convertible securities, U.S. treasury notes, government backed securities, stocks, and foreign debt instruments.

The funds have been rated as follows:

	<u>Amount</u>	<u>Average Credit Rating</u>	<u>Rating Agency</u>	<u>Average Days Maturity</u>
Governmental Fund – Investment Trust	\$ 570,599	AAAm	S&P	12
Fiduciary Unit – Amerigo Fund	\$ 86,531	Not Rated	N/A	Not Available
Descartes Fund	62,234	Not Rated	N/A	Not Available
Clermont Fund	53,957	A	S&P	Not Available
PIMCO A Total Return	26,823	AA	S&P	1,935
Loomis Sayles A Strategic Income	25,850	Baa2	S&P	5,048
Goldman Sachs A High Yield	13,087	BB	S&P	763

Custodial Credit Risk – Investments – is the risk that in the event of the failure of the counterparty, the Road Commission will not be able to recover the value of its investments that are in the possession of another party.

The securities of the funds are safe kept with a third party selected by the counterparty. However, the securities are held in trust for the participants of the fund and are not available to the counterparty if the counterparty should happen to fail. The Road Commission's investment policy does not address custodial credit risk.

Interest Rate Risk – Investments - is the risk that the value of investments will decrease as a result of a rise in interest rates. The Road Commission's investment policy does not address interest rate risk.

At year-end, the Road Commission's investments have the following range of maturity dates:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>			
		<u><1</u>	<u>1-5</u>	<u>5-10</u>	<u>10-15</u>
Investment Trust	\$ 570,599	\$ 570,599	\$ -	\$ -	\$ -
Mutual Funds	65,760	-	39,910	-	25,850

The above information excludes \$202,722 of the mutual funds as this information was not available.

Concentration of Credit Risk – Investments – is the risk of loss attributed to the magnitude of the Road Commission's investment in a single issuer. The Road Commission's investment policy does not address concentration of credit risk.

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS:

Due from other government units as of September 30, 2008 consists of the following:

State –	
Motor Vehicle Highway Funds	\$ 1,286,837
Local –	
Township road agreements	<u>581,912</u>
	<u>\$ 1,868,749</u>

The governmental fund statements report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Both the government-wide and governmental fund statements defer revenue recognition in connection with resources that have been received, but not earned.

NOTE 6 - INVENTORIES:

The inventory balance of \$356,129 at September 30, 2008 consisted of \$205,458 of road materials and \$150,671 of equipment parts and materials.

NOTE 7 - CAPITAL ASSETS:

Capital assets activity for the current year was as follows:

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008
Capital Assets, not being depreciated –				
Land	\$ 243,002	\$ -	\$ -	\$ 243,002
Land Improvements	20,811,852	895,056	-	21,706,908
Right of Ways	<u>758,941</u>	<u>-</u>	<u>-</u>	<u>758,941</u>
Total Capital Assets, not being depreciated	<u>21,813,795</u>	<u>895,056</u>	<u>-</u>	<u>22,708,851</u>
Capital Assets, being depreciated –				
Buildings and improvements	6,457,748	-	-	6,457,748
Road Equipment	5,337,175	88,464	21,982	5,403,657
Shop Equipment	78,450	-	-	78,450
Office Equipment	299,308	2,756	-	302,064
Engineering Equipment	126,518	-	-	126,518
Yard and Storage Equipment	511,782	39,375	-	551,157
Infrastructure -				
Roads	77,259,426	4,573,955	4,016,930	77,816,451
Bridges	19,490,711	63,222	-	19,553,933
Traffic signals	1,565,000	-	-	1,565,000
Depletable assets	<u>50,559</u>	<u>-</u>	<u>-</u>	<u>50,559</u>
	<u>\$111,176,677</u>	<u>\$ 4,767,772</u>	<u>\$ 4,038,912</u>	<u>\$111,905,537</u>

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 7 - CAPITAL ASSETS – (cont'd):

	Balance October 1, 2007	Additions	Adjustments/ Deletions	Balance September 30, 2008
Less – accumulated depreciation for –				
Buildings and Improvements	\$ 1,103,396	\$ 129,155	\$ -	\$ 1,232,551
Road Equipment	4,874,383	184,085	19,540	5,038,928
Shop Equipment	69,580	4,770	-	74,350
Office Equipment	206,903	44,816	-	251,719
Engineering Equipment	110,715	7,142	-	117,857
Yard and Storage Equipment	457,529	36,440	-	493,969
 Infrastructure –				
Roads	37,684,835	4,400,939	4,016,930	38,068,844
Bridges	6,066,477	450,348	297,790	6,219,035
Traffic Signals	570,000	104,333	-	674,333
Depletable Assets	50,559	-	-	50,559
	<u>51,194,377</u>	<u>5,362,028</u>	<u>4,334,260</u>	<u>52,222,145</u>
 Total Capital Assets, being depreciated, net	<u>59,982,300</u>	<u>(594,256)</u>	<u>(295,348)</u>	<u>59,683,392</u>
 Governmental activity capital assets, net	<u>\$81,796,095</u>	<u>\$ 300,800</u>	<u>\$(295,348)</u>	<u>\$ 82,392,243</u>

NOTE 8 - FEDERAL AWARDS:

It is required by the Michigan Department of Transportation (MDOT) that Road Commissions report total federal awards for Highway Research, Planning and Construction pertaining to their County. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended September 30, 2008, the Road Commission of Eaton County had less than \$500,000 of force account expenditures applicable to federal awards (local force revenue). As a result, an audit for compliance under the Single Audit Act has not been performed.

The federal revenues of \$2,514,215 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects which were administered by the Michigan Department of Transportation, however required to be reported by the Road Commission.

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 9 - LONG-TERM LIABILITIES:

The following is a summary of the changes in long-term liabilities of the Road Commission for the year ended September 30, 2008:

	Balance October 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2008</u>	Due Within <u>One Year</u>
MTF Bonds – Series 1998	\$ 390,000	\$ -	\$ 390,000	\$ -	\$ -
MTF Bonds – Series 2003	5,125,000	-	105,000	5,020,000	500,000
Accrued sick leave & vacation	305,327	151,081	136,783	319,625	-
Postemployment benefits	<u>-</u>	<u>7,357</u>	<u>-</u>	<u>7,357</u>	<u>-</u>
	<u>\$ 5,820,327</u>	<u>\$ 158,438</u>	<u>\$ 631,783</u>	<u>\$ 5,346,982</u>	<u>\$ 500,000</u>

Significant details regarding outstanding long-term liabilities are presented below:

MTF Bonds – Series 2003 –

The County of Eaton, Michigan issued \$5,500,000 of Michigan Transportation Fund Bonds, Series 2003, dated July 1, 2003 pursuant to the provision Act 51, Public Acts of Michigan of 1951, as amended. The bonds are issued in anticipation of the Michigan Transportation Fund payments to be received by the County, which are returned to the Road Commission from the Michigan Transportation Fund for the cost of constructing, improving, maintaining, and repairing certain road commission buildings.

The bonds are also a general obligation of the County of Eaton, Michigan, which pledged its full faith and credit for the prompt and timely payment of the principal and interest of such bonds, in the event of insufficiency of said state returned taxes. The full faith and credit pledge of the County is a limited tax general obligation and from its general funds, including the collections of any ad valorem taxes which the County is authorized to levy. However, the ability of the County to levy such taxes is subject to applicable charter, statutory and constitutional tax limitations.

Bonds of this issue maturing in the years 2008 through 2013, inclusive, shall not be subjected to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the years 2014 through 2018, inclusive shall be subject to redemption prior to maturity, at the option of the County, in such order as the County may determine and by lot within any maturity, on any interest payment date on or after August 1, 2013, at par plus accrued interest to the date fixed for redemption.

Principal on the bonds is due on August 1, 2009 through 2018 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 2.75% to 4.0%.

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 9 - LONG-TERM LIABILITIES – (cont'd):

The annual requirements to amortize long-term liability outstanding at September 30, 2008, except compensated absences and postemployment benefits are as follows:

	<u>MTF Bonds – Series 2003</u>	
	<u>Principal</u>	<u>Interest</u>
2009	500,000	173,425
2010	500,000	159,675
2011	500,000	144,675
2012	500,000	128,425
2013	500,000	111,550
2014-2018	<u>2,520,000</u>	<u>292,500</u>
	<u>\$ 5,020,000</u>	<u>\$ 1,010,250</u>

Accrued Sick and Vacation

Employees are granted vacation and sick leave in varying amounts based on the Commission's administrative policy and contract with union employees. Vacation time is credited annually to each employee, but cannot be accumulated for more than one year. Employees are limited to (160 days) 1,280 hours of sick leave accumulation. Upon retirement or permanent disability the employment of the Road Commission, all union employees are paid 50 percent of their accumulated sick leave. Vacation is paid out at 100% at the end of each year. The dollar amount of these vested rights, which has been accrued, on the financial statements amounted to approximately \$319,625 at September 30, 2008.

Postemployment Benefits

In addition to pension benefits, the Eaton County Road Commission provides postemployment health care benefits to eligible retirees and their families, as described in Note 11.

NOTE 10 - EMPLOYEE PENSION:

Active Plan Description –

The Eaton County Road Commission provides pension benefits for substantially all of its regular full-time employees through a defined contribution pension plan. The Eaton County Road Commission is the plan administrator, however the everyday administration and operations of the plan is through the American Funds Group. The Road Commission makes bi-weekly contributions to the plan.

The Road Commission contributes an amount to the plan equal to 12% of employees' compensation during the plan year, after completion of one year of service. Members do not contribute any annual compensation to this plan.

Eligibility for plan participation is as follows:

- Be at least eighteen (18) years of age
- Have at least one (1) year of service
- Truthfully complete all applications or questionnaires required for enrollment

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 10 - EMPLOYEE PENSION – (cont'd):

The plan provides for the following retirement provision:

Normal Retirement – The plan has set the normal retirement date as the plan anniversary nearest the participant's 65th birthday.

Early Retirement – The plan allows early retirement within ten years of the normal retirement date at 100% benefits.

Late Retirement – The plan allows for late retirement with the consent of the Road Commission, but no later than age 75. Contributions continue until actual retirement.

Disability Retirement – The plan allows for disability retirement if a participant becomes totally and permanently disabled. The pension payments may be received immediately with the amount depending on the value of the Participant Account at the time of retirement.

Vesting in the plan is 100% upon entry.

Unless elected otherwise, payment of retirement benefits will begin no later than the end of the plan year during which the participant retires or terminates. Participants may make a written election to begin receiving benefits at a later date if a participant is not married. When benefit payments start, the normal annuity form would be an annuity for the participant's life. If married, the annuity form would be a "Joint and Survivor Annuity", unless another election is made. This annuity form provides both individuals with joint income for life. If the participant dies after beginning the annuity, the beneficiary will be entitled to 100% of the participants account balance up to the participants death, and 50% of such account balance as the "spouse's death benefit".

Subject to the terms of the Plan and current law, a participant may elect to receive benefits in one of several alternate forms. These forms include:

1. Lump sum (cash)
2. An annuity for participant's life
3. A joint annuity for participant and designated beneficiary
4. Installment payments for a specified period, which may not exceed participant life expectancy
5. Installment payments for a specific period not to exceed the life expectancy of the participant and designated beneficiary

Payments may vary among the different settlement options, but all have equal value.

If a participant terminates employment with the Road Commission for any reason other than death, disability, or retirement, the participant will be entitled to receive the vested portion on various distribution schedules depending on the present value amount in the participant's account and personal election.

The Road Commission's contributions to the plan for the year ended September 30, 2008, are \$199,144.

The information required by the Governmental Accounting Standards Board Statement 5 concerning "accounting policies and plan asset matters" is not provided in the annual reports issued by the administrators.

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 10 - EMPLOYEE PENSION – (cont'd):

Other Plan Description –

The Road Commission also has a defined contribution pension plan administered by Sun Life Assurance of Canada which was frozen in January 1986. No contributions have been made to this plan since that date. The participant is entitled to a distribution only upon death, retirement or termination from the Road Commission. Since January 1986, an interest amount of approximately 3% compounded annually has been added to the balance as per the plan agreement.

NOTE 11 - POST EMPLOYMENT BENEFITS:

In addition to the pension benefits described in Note 10, the Eaton County Road Commission provides postemployment health care benefits to eligible retirees and their family. Employees obtain eligibility for postemployment health care benefits upon attaining age 59 ½ with at least 10 years of service. The membership at January 1, 2006 was composed of 38 active participants and 34 retirees. The Road Commission provides 100% of non-Medicare health insurance premiums for single or family coverage for eligible retirees who retired prior to March 9, 2004. For retirees after March 9, 2004, the Road Commission provides 4% for every year of service of the non-Medicare health insurance premiums for single or family coverage with a maximum of \$500 for single and \$1,000 for family. The Retirement Health Plan is a single-employer plan and does not issue a publicly available financial report. GASB No. 45 has been implemented prospectively in the current year.

Funding Policy –

The contribution requirements of the plan are established by the Eaton County Road Commission Board of Commissioners and management through negotiations with the Road Commission's unions and are on a pay-as-you-go basis. The required contribution amount is based on the actuarial valuation as of October 1, 2006 using the projected unit credit actuarial cost method. For the year ended September 30, 2008, the Road Commission contributed \$637,643, including \$337,643 for current premiums and an additional \$300,000 to prefund benefits set aside in a Trust Fund. The Road Commission does not require contributions to be made by employees.

Annual OPEB Cost and Net OPEB Obligation –

The Road Commission's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of thirty years. The Road Commission's annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation are as follows:

Annual required contribution	\$ 645,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	645,000
Contributions made	(637,643)
Increase in net OPEB obligation	7,357
NET OPEB obligation – beginning of year	-
NET OPEB obligation – end of year	<u>\$ 7,357</u>

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 11 - POST EMPLOYMENT BENEFITS – (cont'd):

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation as of September 30, 2008, were as follows:

<u>Year Ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 645,000	98.86%	\$ 7,357

Funded Status and Funding Progress –

Schedule of Funding Progress –

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered (b-a)/(c)</u>
10/1/06	\$ -	\$ 8,823,000	\$ 8,823,000	\$ -	\$ 1,659,533	532%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These estimates are subject to continual revision as actual results are compared to past expectations and new estimates are made. Projections of benefits provided under the plan are based on the types of benefits provided at the time of each valuation.

During 2008, the Road Commission formed a Section 115 Trust to begin prefunding the costs related to the postemployment health care costs. Contributions made to the Retiree Health Care Trust are recognized as expenditures in the Road Commission Operating Fund at the time the contribution is made. During the year, contributions to the Trust Fund totaled \$300,000. The Road Commission has established the Trust Fund to hold and invest monies that will be used to fund future retiree health care benefit obligations. At September 30, 2008, the balance in the Retiree Health Care Trust Fund totaled \$268,683. The Road Commission has included the Retiree Health Care Trust Fund in the September 30, 2008, financial statements as a Trust Fund.

Actuarial Methods and Assumptions –

The required contribution amount was determined as part of the October 1, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4% interest rate compounded annually and (b) Medical trend rates ranging from 4.0% to 16.0%. The Unfunded Actuarial Accrued Liability is being amortized as a level dollar amount over 30 years.

EATON COUNTY ROAD COMMISSION
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 12 - SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES:

In the normal course of its operations, the Eaton County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

NOTE 13 - RISK MANAGEMENT:

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop-loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self Insurance Fund for workers' compensation insurance. The Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

The Road Commission continues to carry commercial insurance for employee health and accident insurance. The amount of settlements (claims) for the past three years have not exceeded insurance coverage.

NOTE 14 - FUND BALANCE - RESERVED/NET ASSETS - RESTRICTED:

A portion of the fund balance has been segregated for prepaid items in the amount of \$182,294 to indicate that prepaid items do not represent expendable, available financial resources.

A portion of the fund balance and net assets has been segregated for the amount of \$1,227,216, which is restricted by Michigan Public Act 51 in the amount of \$956,156 for Primary and in the amount of \$271,060 for Local Roads as determined by completion of the Michigan Department of Transportation's Act 51 Report required at the end of the Road Commission's fiscal year.

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 15 - EQUIPMENT OPERATIONS EXPENDITURE/EXPENSE BALANCE:

The Road Commission in compliance with the Uniform Accounting Procedures Manual for Michigan County Road Commissions charges rental on Road Commission equipment used for various construction and maintenance projects performed by the Road Commission. The cost for this rental for 2007 is based on a rental rate per hour established by the Michigan Department of Transportation, multiplied by rental hours and is reported as an expenditure in the various construction, improvement and maintenance activities. An expenditure credit is reported as an offset against the equipment expenditure activities. Accordingly, the equipment rental does not affect total expenditures or the available operating equity of the Road Commission's General Operating Fund. The balance for the year ended September 30, 2008 is as follows:

	<u>Governmental Fund</u>	<u>Statement of Activities</u>
Equipment –		
Direct	\$ 603,559	\$ 419,474
Indirect	972,127	827,624
Operating	<u>383,019</u>	<u>383,019</u>
	1,958,705	1,630,117
Less-equipment rental	(<u>1,719,101</u>)	(<u>1,719,101</u>)
	<u>\$ 239,604</u>	<u>\$ (88,984)</u>

NOTE 16 - CAPITAL OUTLAY EXPENDITURE CREDIT BALANCE:

On the governmental fund financial statements, the Road Commission reports a depreciation credit as an offset to capital outlay as a result of charging depreciation to various expenditure accounts as explained in Note 1. Retirements are also reported as a credit against capital outlay. The credit balance of \$278,254 is the result of the amount of depreciation and retirements exceeding capital outlay expenditures for the year ended September 30, 2008 as follows:

Capital Outlay -	
Land improvements, building and equipment	\$ 130,595
Less - depreciation/depletion	(406,407)
- retirements	(<u>2,442</u>)
	<u>\$ (278,254)</u>

SUPPLEMENTARY INFORMATION

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

DETAILED SCHEDULE OF REVENUES
GENERAL OPERATING FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Revenues:		
Licenses and permits	\$ 77,139	\$ 67,268
Federal Sources -		
D Funds	331,668	57,958
Surface Transportation Program (STP)	1,562,878	599,444
Congestion/Air Quality	86,536	185,990
Hazard Elimination	532,860	33,447
Bridge	273	-
	<u>2,514,215</u>	<u>876,839</u>
State Sources -		
Motor Vehicle Highway Funds - Act 51 -		
Engineering	10,000	10,000
Primary roads	4,292,222	4,513,727
Local roads	2,089,015	2,163,674
Primary urban roads	793,322	825,878
Local urban roads	222,090	229,398
Economic Development Fund Category D	223,670	54,508
TED Category A	-	1,600,935
State critical bridge	103,576	1,650,979
	<u>7,733,895</u>	<u>11,049,099</u>
Local Sources -		
City and Village contributions	49,071	31,674
Township contributions	1,006,718	1,528,846
County appropriations	-	85,957
	<u>1,055,789</u>	<u>1,646,477</u>
Interest and rents	<u>67,452</u>	<u>172,591</u>
Other -		
Gain (loss) on equipment disposal	(1,536)	63,178
Sundry refunds	100,966	115,058
Private contributions- subdivisions	256,820	226,530
Special assessment	33,782	33,782
	<u>390,032</u>	<u>438,548</u>
Total Revenues	<u><u>\$ 11,838,522</u></u>	<u><u>\$ 14,250,822</u></u>

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

DETAILED SCHEDULE OF EXPENDITURES
GENERAL OPERATING FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Expenditures:		
Construction/ Capacity Improvements -		
Primary roads and structures	\$ 2,065,293	\$ 3,030,584
Local roads and structures	172,348	225,000
	<u>2,237,641</u>	<u>3,255,584</u>
Preservation- Structural Improvements		
Primary roads and structures	2,553,906	2,444,262
Local roads and structures	740,686	370,701
	<u>3,294,592</u>	<u>2,814,963</u>
Routine and Preventive Maintenance -		
Primary roads and structures,		
winter maintenance and traffic control	3,680,369	2,762,935
Local roads and structures,		
winter maintenance and traffic control	3,064,755	2,399,758
	<u>6,745,124</u>	<u>5,162,693</u>
Equipment -		
Direct	603,559	595,809
Indirect	972,127	841,142
Operating	383,019	248,650
Less - equipment rental	(1,719,101)	(1,337,195)
	<u>239,604</u>	<u>348,406</u>
Administrative -		
Administration	923,527	781,243
Less - handling charges	(62,529)	(114,541)
	<u>860,998</u>	<u>666,702</u>
Other	<u>419,169</u>	<u>413,471</u>
Capital Outlay -		
Land improvements, building		
and equipment	130,595	208,531
Less - depreciation	(406,407)	(365,191)
- retirements	(2,442)	(120,895)
	<u>(278,254)</u>	<u>(277,555)</u>
Debt Service -		
Principal retirement	495,000	475,000
Interest and fiscal charges	192,891	210,686
	<u>687,891</u>	<u>685,686</u>
Total Expenditures	<u><u>\$ 14,206,765</u></u>	<u><u>\$ 13,069,950</u></u>

EATON COUNTY ROAD COMMISSION
A Component Unit of Eaton County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BY FUND BALANCE SUB-ACCOUNTS GENERAL OPERATING FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	Primary Road	Local Road	County Road	Total
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 77,139	\$ 77,139
Intergovernmental -				
Federal Sources	2,514,215	-	-	2,514,215
State Sources	5,366,111	2,367,784	-	7,733,895
Local Sources	157,848	897,941	-	1,055,789
Interest and rent	43,844	23,608	-	67,452
Other	357,786	33,782	(1,536)	390,032
Total Revenues	<u>8,439,804</u>	<u>3,323,115</u>	<u>75,603</u>	<u>11,838,522</u>
Expenditures:				
Current -				
Construction/ Capacity Improvements	2,065,293	172,348	-	2,237,641
Preservation- Structural Improvements	2,553,906	740,686	-	3,294,592
Routine and Preventive Maintenance	3,680,369	3,064,755	-	6,745,124
Administrative	557,192	303,806	-	860,998
Equipment - net	121,888	117,716	-	239,604
Other	-	-	419,169	419,169
Capital outlay - net	-	-	(278,254)	(278,254)
Debt Service -				
Principal retirement	390,000	-	105,000	495,000
Interest and fiscal charges	38,742	-	154,149	192,891
Total Expenditures	<u>9,407,390</u>	<u>4,399,311</u>	<u>400,064</u>	<u>14,206,765</u>
Revenues under expenditures	(967,586)	(1,076,196)	(324,461)	(2,368,243)
Fund Balance at October 1, 2007	923,742	1,347,256	2,631,669	4,902,667
Interfund Adjustment	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>
Fund Balance at September 30, 2008	<u>\$ 956,156</u>	<u>\$ 271,060</u>	<u>\$ 1,307,208</u>	<u>\$ 2,534,424</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of County Road
Commissioners of Eaton County
Eaton, Michigan

We have audited the financial statements of the Eaton County Road Commission, a component unit of Eaton County, Michigan, as of and for the year ended September 30, 2008, and have issued our report thereon, dated January 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Road Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Road Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Road Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than inconsequential will not be prevented or detected by the Road Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Road Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eaton County Road commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions

of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

We noted certain other matters that we reported to management of Eaton County Road Commission in a separate letter dated January 26, 2009.

This report is intended solely for the information and use of the audit committee, management and the Board of County Road Commissioners of the Eaton County Road Commission and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Stewart, Beausaint Whipple".

Certified Public Accountants

January 26, 2009

AUDIT COMMUNICATION LETTER

January 26, 2009

To the Board of County Road Commissioners
of Eaton County
Charlotte, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Eaton County Road Commission for the year ended September 30, 2008, and have issued our report thereon dated January 26, 2009. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated September 15, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Eaton County Road Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Road Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of Audit

We performed the audit according to the planned scope and timing previously communicated with discussions with management.

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Eaton County Road Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007/2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

As part of the implementation of GASB 34, the Road Commission was required to record infrastructure as a capital asset. As a result, the original costs of roads, bridges, traffic signals, land improvements and right-of-way had to be determined. Because the supporting data for original cost was not always available, estimates were required to be made based on available data. We evaluated the key factors and assumptions used to develop the cost estimates for infrastructure and determined that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation. Depreciation is based on historical data and estimated useful lives. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely audit adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes unrecorded audit adjustments to the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the adjustments detected as a result of audit procedures and recorded by management were material, either individually, or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 26, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant factors. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We noted an item that although is not considered a significant deficiency could improve controls, the operational efficiency and/or compliance with laws and regulations. This item is discussed in Attachment A.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of County Road and management of the Road Commission and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stewart, Beaumont Whipple".

Certified Public Accountants

Attachment A

The following item which we discussed with administration is not considered a significant deficiency, however, is an item that could improve control, the operational efficiency of the accounting department and/or compliance with laws and regulations:

Controls over the cash receipts.

It is our understanding that cash is occasionally received out in the field when inspections are finalized. We understand that this process is convenient; however, it does circumvent the internal control system that is set up for receipting.

We recommend the Road Commission follow their receipting process and require all receipts to be received either at the front counter at the administration building or through the mail. This process is set up to protect both the customer and the Road Commission as it ensures both parties have accurate documentation of the transaction.

MISSTATEMENT EVALUATION FORM

Client Name: Eaton County Road Commission

Financial Statement Date: 9.30.2008

Opinion Unit: Governmental Fund

<u>Description of Misstatement</u>	<u>W/P Ref</u>	<u>Known (K) or Likely (L)</u>	Financial Statements Effect Amount of Over (Under) Statement of					
			<u>Assets</u>	<u>Liabilities</u>	<u>Fund Equity</u>	<u>Revenues</u>	<u>Expenditure / Expenses</u>	<u>Change in Fund Balance/ Net Assets</u>
<u>Understated Liabilities</u>	<u>TB-2</u>	<u>Known (K)</u>	<u>-</u>	<u>(6,836)</u>	<u>6,836</u>	<u>-</u>	<u>(6,836)</u>	<u>6,836</u>
<u>Understated Accounts Receivable (Insurance Proceeds)</u>	<u>2-F 1</u>	<u>Known (K)</u>	<u>(29,232)</u>	<u>-</u>	<u>(29,232)</u>	<u>(29,732)</u>	<u>(500)</u>	<u>(29,232)</u>
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Current Year Unadjusted Amount</u>			<u>(29,232)</u>	<u>(6,836)</u>	<u>(22,396)</u>	<u>(29,732)</u>	<u>(7,336)</u>	<u>(22,396)</u>
<u>Unadjusted Amount From Prior Year</u>							<u>5,408</u>	<u>(5,408)</u>
<u>Total Unadjusted Amount</u>			<u>(29,232)</u>	<u>(6,836)</u>	<u>(22,396)</u>	<u>(29,732)</u>	<u>(1,928)</u>	<u>(27,804)</u>

We believe the unrecorded possible adjustments listed above are immaterial to the municipality's financial statements, both individually and in the aggregate.

Chief Executive

Finance Director